

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0449-01
Bill No.: HJR 8
Subject: Constitutional Amendments; State Tax Commission; Taxation and Revenue -
Property
Type: Original
Date: February 13, 2007

Bill Summary: Would propose a constitutional amendment specifically prohibiting a local government from increasing real property tax revenues more than the previous year's consumer price index increase.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Administrative Hearing Commission**, and the **Department of Revenue** assumed the proposal would have no fiscal impact on their organizations.

Officials from the **Department of Elementary and Secondary Education** stated that this proposed constitutional amendment would not appear to have a state cost, at least not in relation to the basic state aid formula for public school districts.

Officials from the **Office of the Secretary of State (SOS)** provided the following information:

Many joint resolutions are considered by the General Assembly that would require the SOS to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2007, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue). Therefore, the SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

Oversight assumes that advertising and elections costs related to this proposal would be paid from appropriations to the SOS. Those costs are not included in this fiscal note.

Officials from the **State Tax Commission (TAX)** assume the proposal would have no fiscal impact on their organization. TAX officials stated the proposal would impact all political subdivisions. The proposal would allow an increase in revenue of no more than the general price index, but makes no provision for a voted on levy increase or a levy increase by a political subdivision which is not at its ceiling.

ASSUMPTION (continued)

Officials from the **Office of the Boone County Collector** stated that the impact of this proposal on their organization cannot be predicted. If a taxing entity 'collects' more than allowed, and the excess revenue was to be refunded back to the taxpayer, the fiscal impact could be huge for a county or city collector.

Oversight assumes the proposal would prohibit a taxing authority from levying an excessive tax, and would have no fiscal impact to county collectors.

Officials from **St. Louis County** assume this proposal would cause an unknown loss to their organization.

Officials from the **Office of the Cole County Assessor** stated that the proposal would appear to have an unknown negative impact on local governments since it does not allow for a voted on levy increase or a levy increase by a political subdivision which is not at its ceiling. All taxing authorities would be in a situation where they could no longer ask voters for funds needed for improvements in excess of the CPI.

The language could be construed to allow an increase in tax revenues in the even-numbered year equal to the increase in the general price index. If the residential subclass were to increase 8% to 10% to 12% in a reassessment year, and if there were no similar market changes in commercial, agricultural and personal property (or possibly decreases in any of those categories), then the resulting total increase may not eclipse the CPI and all resulting increases would stay in effect. Such an increase in residential property would only shift the burden to such property and away from the other subclasses and personal property.

Oversight did not receive responses from any other local government organizations.

ASSUMPTION (continued)

Oversight assumes this proposal would have an unknown negative impact to local governments but is not able to estimate the amount of that impact. Under current tax limitation provisions applicable to local governments, property taxes are generally limited to the prior year's tax revenues plus the lesser of (1) natural growth (new construction, and additions and improvements to existing property); (2) the inflation rate; and (3) an increase of five percent. All other increases such as tax levy rate increases and debt service levies require voter approval.

The proposal would appear to prohibit voter-approved tax levy increases and limit revenues to natural growth plus the lesser of the inflation rate or five percent. Oversight is unable to estimate the impact of this proposal on other statutory provisions related to property taxes. Since the proposed tax limitation would be subject to voter approval, Oversight will indicate a fiscal impact of \$0 or (Unknown) for local governments.

Oversight assumes the proposition would be submitted to the voters at the November, 2008, general election rather than at a special election and would become effective for 2009 taxes (FY 2010).

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
LOCAL GOVERNMENT			
<u>Revenue reduction</u> - limit on tax rates	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>
<u>ESTIMATED NET EFFECT TO LOCAL GOVERNMENT</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses which own real property.

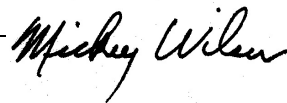
FISCAL DESCRIPTION

The proposed legislation would propose a constitutional amendment specifically prohibiting an increase in local government revenue from real property taxes above the previous year's tax revenues plus the increase in the consumer price index.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
 Administrative Hearing Commission
Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
Office of the Boone County Collector
Office of the Cole County Assessor



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Director
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